

CITY OF FLAGSTAFF, ARIZONA

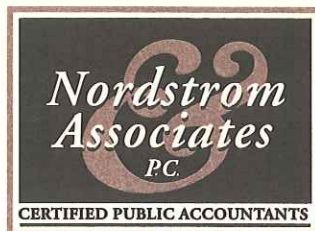
SINGLE AUDIT REPORT PACKAGE

JUNE 30, 2000

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American Institute of  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council  
City of Flagstaff, Arizona

We have audited the general purpose financial statements of City of Flagstaff, Arizona (the City), as of and for the year ended June 30, 2000, and have issued our report thereon dated September 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such as opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However we noted another matter involving the internal control over financial reporting, which we have reported to management of the City of Flagstaff in a separate letter dated September 29, 2000.

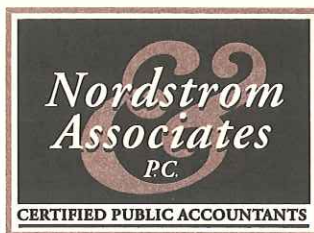
This report is intended for the information of the audit committee, management, others within the organization, the city council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nordstrom & Associates, P.C.*

Flagstaff, Arizona  
September 29, 2000



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council  
City of Flagstaff, Arizona

COMPLIANCE

We have audited the compliance of City of Flagstaff, Arizona (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major programs for the year ended June 30, 2000. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all such internal control matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the general purpose financial statements of the City as of and for the year ended June 30, 2000, and have issued our report thereon dated September 29, 2000. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the audit committee, management, others within the organization, the city council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nordstrom & Associates, P.C.*

Flagstaff, Arizona  
September 29, 2000

CITY OF FLAGSTAFF, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2000

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of City of Flagstaff, Arizona.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the general purpose financial statements of the City were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the City.
7. The programs tested as major programs included: Community Development Block Grant, CFDA Number 14.218.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.



CITY OF FLAGSTAFF, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2000

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT/ GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 1999	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2000
<u>Department of Housing and Urban Development</u>							
<i>Direct Programs:</i>							
Community Development Block Grant	14.218	B-97-MC-04-0510	\$ 740,000	\$ 73,964	\$ 184,724	\$ 177,080	\$ 66,320
Community Development Block Grant	14.218	B-98-MC-04-0510	728,000	83,403	141,667	154,078	95,814
Community Development Block Grant	14.218	B-99-MC-04-0510	732,000	-	224,956	239,685	14,729
Total Department of Housing and Urban Development				157,367	551,347	570,843	176,863
<u>Office of Justice Programs</u>							
<i>Passed through Arizona Governor's Office for Domestic Violence Prevention:</i>							
Violence Against Women Formula Grants	16.588	A8-0035-001	93,104	4,454	4,454	-	-
Violence Against Women Formula Grants	16.588	A9-0078-009	78,000	-	31,067	52,086	21,019
Total Office of Justice Programs				4,454	35,521	52,086	21,019
<u>Bureau of Justice Assistance</u>							
<i>Direct Programs:</i>							
Local Law Enforcement Block Grant	16.592	97-LB-VX-3736	69,638	67,874	-	-	67,874
Local Law Enforcement Block Grant	16.592	98-LB-VX-3736	73,462	-	-	73,462	73,462
Bulletproof Vest Partnership Program	16.607	99002377	6,906	-	9,519	9,519	-
Subtotal				67,874	9,519	82,981	141,336
<i>Passed through Arizona Criminal Justice Commission</i>							
Byrne Formula Grant Program	16.579	AL-140-99	227,494	(435)	(435)	-	-
Byrne Formula Grant Program	16.579	AL-140-00	292,249	-	199,832	274,460	74,628
Subtotal				(435)	199,397	274,460	74,628
Total Bureau of Justice Assistance				67,439	208,916	357,441	215,964
<u>Department of Justice</u>							
<i>Direct Programs:</i>							
Executive Office of Weed and Seed	16.595	1999 Weed and Seed	50,000	-	12,346	29,727	17,381
Cops Universal Hiring Program	16.710	95-CF-WX-3033	750,000	83,997	168,288	157,437	73,146
Troops to COPS	16.711	1999TCWX0023	21,396	-	21,396	21,396	-
Total Department of Justice				83,997	202,030	208,560	90,527

CITY OF FLAGSTAFF, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2000

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT/ GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 1999	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2000
<i>Federal Aviation Administration</i>							
<i>Direct Programs:</i>							
Airport Improvement Program	20.106	AIP 3-04-0015-16	500,000	80,126	148,757	117,066	48,435
Airport Improvement Program	20.106	AIP 3-04-0015-17	1,867,428	-	-	15,192	15,192
Airport Improvement Program	20.106	AIP 3-04-0015-xx	15,754	-	-	15,754	15,754
Total Federal Aviation Administration				80,126	148,757	148,012	79,381
<i>Department of Transportation</i>							
<i>Passed through Arizona Department of Transportation:</i>							
Highway Planning and Construction-1998 PL	20.205	T00-49-A0013	66,667	18,549	18,549	-	-
Highway Planning and Construction-1998 STP	20.205	T00-49-A0013	50,000	-	-	29,948	29,948
Highway Planning and Construction-1999 PL	20.205	T00-49-A0013	100,000	90,558	100,000	9,442	-
Highway Planning and Construction-1999 SPR	20.205	T00-49-A0013	67,000	-	25,293	67,000	41,707
Highway Planning and Construction-2000 PL	20.205	T00-49-A0013	109,721	-	-	22,000	22,000
Highway Planning and Construction-FHWA	20.205	T00-49-A0013	42,435	-	-	42,435	42,435
Subtotal				109,107	143,842	170,825	136,090
<i>Passed through Arizona Governor's Office of Public Safety:</i>							
State and Community Highway Safety	20.600	2000-AL-015	40,800	-	-	17,657	17,657
Total Department of Transportation				109,107	143,842	188,482	153,747
<i>Federal Transit Administration</i>							
<i>Passed through Arizona Department of Transportation:</i>							
Highway Planning and Construction-1998 FTA(05)	20.514	T00-49-A0013	20,000	17,319	9,780	-	7,539
Highway Planning and Construction-1999 FTA(06)	20.514	T00-49-A0013	18,000	18,000	18,000	-	-
Highway Planning and Construction-1999 FTA(07)	20.514	T00-49-A0013	20,000	20,000	20,000	-	-
Total Federal Transit Administration				55,319	47,780	-	7,539



CITY OF FLAGSTAFF, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2000

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT/ GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 1999	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2000
<u>Bureau of Alcohol, Tobacco and Firearms</u>							
<i>Direct Programs:</i>							
Alcohol, Tobacco and Firearms-Training Assistance	21.052	99429214	54,600	7,020	48,347	41,327	-
Alcohol, Tobacco and Firearms-Training Assistance	21.052	ATC000108	54,600	-	-	19,337	19,337
Total Bureau of Alcohol, Tobacco and Firearms				7,020	48,347	60,664	19,337
<u>Institute of Museum and Library Services</u>							
<i>Passed through State of Arizona Department of Library, Archives and Public Records:</i>							
State Library Program	45.310	981-3-2-(2)	7,770	(4,745)	-	2,357	(2,388)
State Library Program	45.310	981-2-5-(1)	7,962	(7,508)	-	6,160	(1,348)
State Library Program	45.310	981-1-3-(1)	3,085	(1,190)	-	1,190	-
Total Institute of Museum and Library Services				(13,443)	-	9,707	(3,736)
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 551,386	\$ 1,386,540	\$ 1,595,795	\$ 760,641

CITY OF FLAGSTAFF, ARIZONA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2000

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Amounts presented on the Schedule are recorded in the General, Special Revenue and Enterprise Funds.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the 2000 Catalog of Federal Domestic Assistance.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the City expended the following to subrecipients.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Community Development Block Grant	14-218	\$ 391,546

Note 4 - Pass-Through Grantor's Reference

The following are nonfederal agencies that have passed through federal monies to the City:

<u>Pass-Through Agency</u>	<u>Pass-Through Grantor Number</u>
Arizona Governor's Office for Domestic Violence Prevention:	
Stop Violence Against Women Grant	A8-0035-001
Stop Violence Against Women Grant	A9-0078-009
Arizona Criminal Justice Commission:	
Byrne Formula Grant Program	AL-140-99
Byrne Formula Grant Program	AL-140-00
State of Arizona Department of Library, Archives and Public Records:	
State Library Program	981-3-2-(2)
State Library Program	981-2-5-(1)
State Library Program	981-1-3-(1)
Arizona Department of Transportation:	
Highway Planning and Construction	T00-49-A0013